

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

*Parchment Community Library*  
*Kalamazoo County, Michigan*  
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**  
*Year ended September 30, 2004*

---

## CONTENTS

---

	<i>Page</i>
INDEPENDENT AUDITORS' REPORT	3
BASIC FINANCIAL STATEMENTS:	
Government-wide financial statements:	
Statement of net assets	4
Statement of activities	5
Fund financial statements:	
Balance sheet - Governmental Funds	6
Statement of revenues, expenditures, and changes in fund balances - Governmental Funds	7
Notes to financial statements	8 - 12
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary comparison schedule:	
Statement of revenues, expenditures, and changes in fund balance - budget and actual - General Fund	13

## INDEPENDENT AUDITORS' REPORT

**Board of Trustees  
Parchment Community Library, Michigan**

We have audited the accompanying financial statements of the governmental activities and each major fund of Parchment Community Library, Michigan, as of September 30, 2004, and for the year then ended, which collectively comprise the Parchment Community Library's basic financial statements as listed in the contents. These financial statements are the responsibility of the Parchment Community Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Parchment Community Library, Michigan, as of September 30, 2004, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 9, the Parchment Community Library, Michigan has implemented a new financial reporting model, as required by the provisions of Government Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of October 1, 2003.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The budgetary comparison information, on page 13, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Parchment Community Library, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

*Siegfried Crandall P.C.*

January 27, 2005

## **BASIC FINANCIAL STATEMENTS**

**Parchment Community Library**

**STATEMENT OF NET ASSETS**

September 30, 2004

---

**ASSETS**

Current assets

Cash	\$ 441,835
Prepaid expenses	5,670
Beneficial interest in assets held by foundation	<u>302,524</u>

Total current assets	<u>750,029</u>
----------------------	----------------

Noncurrent assets

Capital assets (net of accumulated depreciation)	<u>999,290</u>
--	----------------

Total assets	<u>1,749,319</u>
--------------	------------------

**LIABILITIES**

Current liabilities

Payables	<u>6,226</u>
----------	--------------

**NET ASSETS**

Invested in capital assets	999,290
Restricted for nonexpendable endowment	49,979
Unrestricted	<u>693,824</u>

Total net assets	<u><u>\$ 1,743,093</u></u>
------------------	----------------------------

See notes to the financial statements

**Parchment Community Library**  
**STATEMENT OF ACTIVITIES**  
*Year ended September 30, 2004*

---

Program expenses	
Recreation and cultural - Library	<u>\$ 331,180</u>
Program revenues	
Charges for services	44,322
Operating grants and contributions	12,972
Capital grants and contributions	<u>4,003</u>
Total program revenues	<u>61,297</u>
Net program expenses	<u>(269,883)</u>
General revenues	
Property taxes	346,524
Investment return	<u>27,429</u>
Total general revenues	<u>373,953</u>
Change in net assets	104,070
<b>Net assets - beginning</b>	<u>1,639,023</u>
<b>Net assets - ending</b>	<u>\$ 1,743,093</u>

*See notes to the financial statements*

**Parchment Community Library**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
September 30, 2004

	<u>General</u>	<u>Stanley Stevens Memorial Nonexpendable Trust</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash	\$ 441,835	\$ -	\$ 441,835
Beneficial interest in assets held by foundation	<u>252,545</u>	<u>49,979</u>	<u>302,524</u>
Total assets	<u>\$ 694,380</u>	<u>\$ 49,979</u>	<u>\$ 744,359</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 5,682	\$ -	\$ 5,682
Accrued liabilities	<u>544</u>	<u>-</u>	<u>544</u>
Total liabilities	<u>6,226</u>	<u>-</u>	<u>6,226</u>
Fund balance:			
Reserved for:			
Endowment	-	49,979	49,979
Unreserved:			
Designated	10,502	-	10,502
Undesignated	<u>677,652</u>	<u>-</u>	<u>677,652</u>
Total fund balance	<u>688,154</u>	<u>49,979</u>	<u>738,133</u>
Total liabilities and fund balance	<u>\$ 694,380</u>	<u>\$ 49,979</u>	

*Amounts reported for governmental activities in the statement of net assets are different because:*

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	999,290
Prepaid expenses are not a current financial resource and, therefore, are not reported in the funds.	<u>5,670</u>
Net assets of governmental funds	<u>\$ 1,743,093</u>

See notes to the financial statements



STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - governmental funds

Year ended September 30, 2004

	<u>General</u>	<u>Stanley Stevens Memorial Nonexpendable Trust</u>	<u>Totals</u>
<b>REVENUES</b>			
Taxes	\$ 346,524	\$ -	\$ 346,524
State grants	10,791	-	10,791
Charges for service	4,310	-	4,310
Fines and forfeitures	40,012	-	40,012
Investment return	27,429	4,003	31,432
Other	2,181	-	2,181
Total revenues	<u>431,247</u>	<u>4,003</u>	<u>435,250</u>
<b>EXPENDITURES</b>			
Recreation and cultural	311,302	-	311,302
Capital outlay	<u>11,487</u>	<u>-</u>	<u>11,487</u>
Total expenditures	<u>322,789</u>	<u>-</u>	<u>322,789</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>108,458</u>	<u>4,003</u>	<u>112,461</u>
<b>FUND BALANCES - BEGINNING</b>	<u>579,696</u>	<u>45,976</u>	<u>625,672</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 688,154</u>	<u>\$ 49,979</u>	<u>\$ 738,133</u>
<b>Net change in fund balances - total governmental funds</b>			\$ 112,461

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$60,585) exceeded depreciation (\$51,395) in the current period	(9,190)
Prepaid expenses are not a current financial resource and, therefore, are not reported in the funds.	<u>799</u>
Change in net assets	<u>\$ 104,070</u>

**Parchment Community Library**  
**NOTES TO FINANCIAL STATEMENTS**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Parchment Community Library, Michigan (the Library), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

*a) Reporting entity:*

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Library (primary government). The criteria established by the GASB for determining the reporting entity include oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Library has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a blended or discretely-presented component unit in the Library's financial statements. Also, the Library is not a component unit of any other entity.

*b) Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Library. The effect of all interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

*c) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the nonexpendable trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Parchment Community Library**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

---

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Stanley Stevens Memorial Nonexpendable Trust Fund is a permanent fund that accounts for resources legally held in trust, as an endowment, that are legally restricted to the extent that only earnings, and not principal, may be used to support the Library's programs.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide financial statements to the extent that those standards do no conflict with the standards of the Governmental Accounting Standards Board.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

*d) Assets, liabilities, and net assets or equity:*

*i) Bank deposits and investments* - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

*ii) Receivables* - All receivables are considered to be fully collectible, and all are due within one year.

**Parchment Community Library**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

---

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) *Assets, liabilities, and net assets or equity* (continued):

iii) *Capital assets* - capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	10 - 40 years
Equipment	3 - 10 years
Materials	10 years

vi) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the functional level. Amounts encumbered for purchase orders, contracts, etc., are tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

NOTE 3 - CASH:

Deposits are carried at cost and are maintained at various financial institutions in the name of the Library. Michigan Compiled Laws, Section 129.91, authorizes the Library to deposit and invest in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Library's deposits are in accordance with statutory authority. At June 30, 2004, the Library has deposits with a carrying amount of \$441,835 and a bank balance of \$447,357. Of the bank balance, \$206,172 is covered by federal depository insurance and \$241,185 is uninsured.

NOTE 4 - BENEFICIAL INTEREST IN ASSETS HELD BY FOUNDATION:

Amounts shown as beneficial interest in assets held by foundation represent monies placed with the Kalamazoo Community Foundation (Foundation) by the Library, specifying itself as the beneficiary. The Library and the Foundation are unrelated entities. The Library has the right, at any time, to receive from the Foundation all or a portion of the current balance of such monies held by the Foundation. The Foundation, as custodian of such funds, continues to report the funds as assets of the Foundation, with a corresponding liability, agency non-endowed funds. The Library reports this asset at the present value of future payments expected to be received. The portion of the asset not considered expendable has been reported in the permanent fund.

**Parchment Community Library**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 5 - INVESTMENT RETURN:

Investment return consists of the following:

	<u>General Fund</u>	<u>Stanley Stevens Memorial Nonexpendable Trust Fund</u>
Interest earned	\$ 4,628	\$ -
Appreciation in fair value of beneficial interest in assets held by foundation	<u>22,801</u>	<u>4,003</u>
Net investment return	<u>\$ 27,429</u>	<u>\$ 4,003</u>

NOTE 6 - CAPITAL ASSETS:

Capital asset activity of the Library for the current year was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets being depreciated:				
Buildings	\$ 1,322,892	\$ -	\$ -	\$ 1,322,892
Furniture and equipment	205,927	6,410	-	212,337
Books and a/v material	<u>223,656</u>	<u>44,985</u>	<u>-</u>	<u>268,641</u>
Subtotal	<u>1,752,475</u>	<u>51,395</u>	<u>-</u>	<u>1,803,870</u>
Less accumulated depreciation for:				
Buildings	(425,061)	(32,078)	-	(457,139)
Furniture and equipment	(199,806)	(3,789)	-	(203,595)
Books and a/v material	<u>(119,128)</u>	<u>(24,718)</u>	<u>-</u>	<u>(143,846)</u>
Subtotal	<u>(743,995)</u>	<u>(60,585)</u>	<u>-</u>	<u>(804,580)</u>
Governmental activities capital assets, net	<u>\$ 1,008,480</u>	<u>\$ (9,190)</u>	<u>\$ -</u>	<u>\$ 999,290</u>

NOTE 7 - PAYABLES:

	<u>Accounts</u>	<u>Payroll</u>	<u>Totals</u>
General Fund	<u>\$ 5,682</u>	<u>\$ 544</u>	<u>\$ 6,226</u>

**Parchment Community Library**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

---

**NOTE 8 - CLAIMS ARISING FROM RISKS OF LOSS:**

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Library has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**NOTE 9 - CHANGE IN ACCOUNTING PRINCIPLES:**

Effective October 1, 2003, the Library implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, along with all related statements and interpretations. In connection with the implementation of this statement, the following adjustments to beginning net assets have been made to reflect the cumulative effect of this accounting change in the governmental funds:

Net assets as previously reported	
General and permanent funds	\$ 738,133
Capital assets are used in governmental activities are not financial resources and, therefore, are not reported in the funds.	999,290
Prepaid expenses are not a current financial resource and, therefore, are not reported in the funds.	<u>5,670</u>
Net assets, as restated	<u><u>\$ 1,743,093</u></u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

**Parchment Community Library**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - General Fund**  
Year ended September 30, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Taxes	\$ 347,518	\$ 347,518	\$ 346,524	\$ (994)
State grants	9,070	9,070	10,791	1,721
Charges for service	3,010	3,010	4,310	1,300
Fines and forfeitures	40,930	40,930	40,012	(918)
Investment return	1,200	1,200	27,429	26,229
Other	1,200	1,200	2,181	981
Total revenues	<u>402,928</u>	<u>402,928</u>	<u>431,247</u>	<u>28,319</u>
<b>EXPENDITURES</b>				
Recreation and cultural:				
Salaries and wages	160,997	160,929	158,458	2,471
Employee benefits	9,847	9,915	11,705	(1,790)
Payroll taxes	12,317	12,317	12,132	185
Operating supplies	7,000	7,441	7,441	-
Programming	3,000	3,000	4,120	(1,120)
State aid - SMLC	2,000	2,451	2,451	-
Audio/video	15,000	15,000	5,701	9,299
Books	50,000	50,000	39,285	10,715
Periodicals	6,000	6,000	4,957	1,043
Professional services	14,046	13,750	13,636	114
Postage	2,000	2,000	1,040	960
Telephone	5,700	5,700	3,314	2,386
Utilities	19,350	21,263	20,619	644
Repairs and maintenance	22,800	21,457	17,010	4,447
Membership dues	350	455	455	-
Insurance	8,000	8,000	7,645	355
Workshops/professional development	1,000	99	309	(210)
Miscellaneous	1,200	830	1,024	(194)
Total recreational and cultural	<u>340,607</u>	<u>340,607</u>	<u>311,302</u>	<u>29,305</u>
Capital outlay	<u>62,321</u>	<u>62,321</u>	<u>11,487</u>	<u>50,834</u>
Total expenditures	<u>402,928</u>	<u>402,928</u>	<u>322,789</u>	<u>80,139</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	-	-	108,458	108,458
<b>FUND BALANCE - BEGINNING</b>	<u>579,696</u>	<u>579,696</u>	<u>579,696</u>	-
<b>FUND BALANCE - ENDING</b>	<u>\$ 579,696</u>	<u>\$ 579,696</u>	<u>\$ 688,154</u>	<u>\$ 108,458</u>